

**HOSPITAL SERVICE DISTRICT NO. 3
OF THE
PARISH OF ST. MARY
STATE OF LOUISIANA**

**COMPONENT UNIT
FINANCIAL STATEMENTS
For the Year Ended
September 30, 2012**

HOSPITAL SERVICE DISTRICT NO. 3
OF THE
PARISH OF ST. MARY
STATE OF LOUISIANA

COMPONENT UNIT FINANCIAL STATEMENTS

FOR THE YEAR ENDED
SEPTEMBER 30, 2012

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INDEPENDENT ACCOUNTANTS' REPORT

ADAMS & JOHNSON

CERTIFIED PUBLIC ACCOUNTANTS

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HERBERT J. ADAMS, JR., C.P.A.

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MEMBERS:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountants' Review Report

The Board of Commissioners
Hospital Service District No. 3
1101 Southeast Blvd
Morgan City, LA 70380

We have reviewed the accompanying financial statements of the Hospital Service District No. 3, a component unit of the St. Mary Parish Council, State of Louisiana, as of and for the year ended September 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management of Hospital Service District No. 3. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The management of Hospital Service District No. 3 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

In accordance with the *Louisiana Governmental Audit Guide* and the provisions of state law, we have issued a report, dated February 25, 2013 on the results of our agreed-upon procedures.

Our review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

Management has omitted the management's discussion and analysis information that is required to be presented for purposes of additional analysis. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context.

The accompanying supplementary information, as listed in the table of contents, while not considered necessary for a fair presentation of the financial statements, is presented as supplementary analytical data. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.



Adams & Johnson
Certified Public Accountants

Patterson, Louisiana
February 25, 2013

FINANCIAL STATEMENTS

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE
September 30, 2012

ASSETS

Current Assets:

Cash	\$ 114,723
Prepaid expenses	5,242
Rent receivable - related parties	<u>5,636</u>
Total Current Assets	\$ 125,601

Noncurrent Assets:

Restricted Assets	
Cash and investments	\$ 200,000
Accrued interest	46,290
Capital assets (net of accumulated depreciation)	<u>595,965</u>
Total Noncurrent Assets	<u>842,255</u>

TOTAL ASSETS

\$ 967,856

LIABILITIES AND NET ASSETS

Current Liabilities:

Payroll taxes payable	\$ 1,258
Accounts payable	<u>8,234</u>
Total Current Liabilities	9,492

Net Position:

Net Investment in capital assets	\$ 595,965
Restricted	246,290
Unrestricted	<u>116,109</u>
Total Net Assets	<u>958,364</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 967,856

The notes to the financial statements are an integral part of this statement.

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND TYPE
For the Year Ended September 30, 2012

OPERATING REVENUES

Building & property rental	\$ 265,000
Other income	775
Total Operating Revenues	<u>\$ 265,775</u>

OPERATING EXPENSES

Advertising	\$ 363
Auto expense	640
Board members compensation	2,240
Depreciation	67,870
Office supplies	599
Insurance	86,339
Repairs and maintenance	33,885
Secretary/bookkeeping fees	9,603
Salaries	126,246
Payroll taxes	9,814
Telephone	1,072
Pension	2,970
Professional fees	<u>3,345</u>
Total Operating Expenses	<u>344,986</u>

OPERATING INCOME (LOSS)	\$ (79,211)
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NON-OPERATING REVENUES

Interest income	<u>\$ 9,651</u>
Total Non-Operating Revenues	9,651

CHANGE IN NET ASSETS	\$ (69,560)
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NET ASSETS - BEGINNING OF YEAR	<u>\$ 1,027,924</u>
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NET ASSETS - END OF YEAR	<u><u>\$ 958,364</u></u>
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The notes to the financial statements are an integral part of this statement.

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
For the Year Ended September 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from rent and other income	\$ 265,775
Payment for supplies and operating services	(149,172)
Payment to employees	(126,246)
Net cash (used) by operating activities	<u>\$ (9,643)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest	\$ 51
Net cash provided by investing activities	<u>\$ 51</u>

Net decrease in cash and cash equivalents \$ (9,592)

Cash and cash equivalents,
beginning of year 124,315

Cash and cash equivalents,
end of year \$ 114,723

The notes to the financial statements are an integral part of this statement.

HOSPITAL SERVICE DISTRICT NO.3
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUND TYPE
For the Year Ended September 30, 2012

Reconciliation of Operating Income to Net Cash
Provided (Used) by operating activities:

Income (loss) from operations	\$ (79,211)
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Adjustments to reconcile operating income to net
cash provided by operating activities:

Depreciation	67,870
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Change in current assets and liabilities:

Increase in prepaid expenses	\$ (1,254)
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Increase in payroll taxes payable	62
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Increase in accounts payable	2,890
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Total adjustments	<u>1,698</u>
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Net Cash (Used) by Operating Activities	<u><u>\$ (9,643)</u></u>
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The notes to the financial statements are an integral part of this statement.

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hospital Service District No. 3 of the Parish of St. Mary, State of Louisiana (Fairview Hospital) was created by Ordinance No. 726 of the St. Mary Parish Police Jury, on August 14, 1968. The District encompasses all of the territory situated in Wards 5 and 8 of St. Mary Parish.

The District is a component unit and an integral part of the St. Mary Parish Council, the reporting entity which exercises oversight and control over the District. The District operates under a Board of Commissioners. These financial statements include all funds of the District.

The accounting and reporting policies of the Hospital Service District No. 3, of the Parish of St. Mary, State of Louisiana conforms to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:513 and to the guides set forth in the *Louisiana Governmental Audit Guide* and to the industry audit guide, *Audits of State and Local Governmental Units*.

The following is a summary of certain significant accounting policies:

A) Fund Accounting:

The accounting system is organized and operated on a fund basis (Proprietary fund) whereby a separate self-balancing set of accounts comprised of assets, liabilities, revenues and expenses is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. There are two types of Proprietary funds, Enterprise Funds and Fiduciary Funds. Hospital Service District No. 3 operates as an Enterprise Fund.

B) Enterprise Fund:

The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance public policy, management control, accountability or other purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) **Basis of Accounting:**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The District's accounting system is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D) **Change in Accounting:**

This financial statement has been prepared in conformity with GASB No. 34. In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This and other changes are reflected in the accompanying financial statements, including the notes to the financial statements.

E) **Fixed Assets and Long-Term Liabilities:**

All property, plant and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Additions, improvements, and expenditures that add materially to the productive capacity, or extend the life of an asset, are capitalized. Donated property, plant and equipment are valued at their estimated fair value on the date donated. As of September 30, 2012, all assets on the balance sheet are valued at historical cost.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported in Note 4. Depreciation has been provided over estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings & Improvements	10 – 40 years
Equipment	5 – 10 years

F) **Statement of Cash Flows:**

For the purpose of the statement of cash flows, the District considers all highly liquid asset investments with a maturity of three months or less when purchased to be cash equivalents.

G) **Accumulated Vacation, Compensatory Time and Sick Leave:**

Accumulated vacation, compensatory time and sick leave are recorded as an expenditure of the period in which incurred. For the year ended September 30 2012, unrecorded liabilities for the above years are an immaterial amount.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H) **Investments:**

Investments, consisting of Certificates of Deposit, are stated at cost, which approximates market. Investment income is reported as non-operating revenue.

I) **Reporting Entity:**

GASB Statement No. 14, ***Governmental Reporting Entity***, established criteria for determining which organizations should be included in a governmental financial reporting entity. The focal point for defining the financial reporting entity is the primary government. Hospital Service District No. 3 is a component unit of the St. Mary Parish Council (primary government) and, as such, these financial reports may be included in the CAFR of the Council for the year ended December 31, 2012. Hospital Service District No. 3 has followed GASB-14 guidance to determine that there are no financial statements of other organizations that should be combined with their statements to form a financial reporting entity.

J) **Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K) **Accounting Standards:**

Pursuant to Government Accounting Standards Board (GASB) Statement No. 20 Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB Pronouncements.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash includes amounts in demand deposits, interest-bearing deposits, and money market accounts. The District considers cash equivalents amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana Law and national banks having their principal offices in Louisiana.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Statutes also authorize the District to invest in certificates of deposit, repurchase agreements, passbooks, banker's acceptances, and other available bank investments provided that the approved securities are pledged to secure those funds on deposit, as required. These deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank.

	Stated Value 9/30/2012	Bank Balance 9/30/2012
Cash	\$114,723	\$117,062
Certificates of deposit	200,000	\$200,000
Total	<u>\$314,723</u>	<u>\$317,062</u>

The District's cash, cash equivalents and investments are categorized to give an indication of the level of risk assumed by the District.

Category 1 – Insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 – Uncollateralized or securities uninsured or unregistered and held by the counter party (this includes GNMA Pool investments and mutual fund shares held in "book entry only" form by brokerage firms).

Cash and investments categorized by level of risk are:

Category 1	\$250,000
Category 2	64,723
Total	<u>\$314,723</u>

NOTE 3 - RESTRICTED ASSETS

Assets whose use is restricted include cash, cash equivalents and accrued interest earned on cash accounts held for future capital improvements. The composition of assets whose use is limited at September 30, 2012 is set forth below.

	9/30/2012
Cash and Investments	\$200,000
Accrued Interest Receivable	46,290
Total	<u>\$246,290</u>

These amounts are classified on the balance sheet as non-current in the amount of \$ 246,290 for future capital improvements and future repairs and maintenance.

NOTE 4 - CHANGES IN FIXED ASSETS

The following is a summary of changes in the fixed assets for the fiscal year:

	Balance 9/30/2011	Additions	Retirements	Balance 9/30/2012
Land	\$ 48,998	\$ -	\$ -	\$ 48,998
Buildings:				
Claire House	594,491	-	-	594,491
Fairview	1,512,798	-	-	1,512,798
Improvements	334,039	-	-	334,039
Equipment	450,609	-	-	450,609
	<u>\$2,940,935</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,940,935</u>
Less:				
Accumulated Depreciation	<u>(2,277,100)</u>	<u>(67,870)</u>		<u>(2,344,970)</u>
Net Property, Plant & Equipment	<u>\$ 663,835</u>			<u>\$ 595,965</u>

Depreciation expense for the year ended September 30, 2012 was \$67,870.

NOTE 5 - AD VALOREM TAXES

The District did not assess property taxes for the year ended September 30, 2012. The property tax assessment expired on September 30, 1993 and has not been renewed. The board must receive voter approval before renewal and, at this time, the board has elected not to seek renewal.

NOTE 6 - RETIREMENT

The District's employees are covered under the Federal Insurance Contribution Act (Social Security). The District's contributions for the year ended September 30, 2012 was \$ 9,657.

The District also established a savings incentive match plan, a Simple Retirement Account. All employees are eligible to participate regardless of compensation and years of service. The District will contribute a matching contribution to each eligible employee's Simple IRA equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the calendar year. All the contributions under this plan are fully vested and non-forfeitable. During the year ended September 30, 2012 the District contributed \$ 2,970 into this plan.

NOTE 7 - RESTRICTED NET ASSETS

The District has reserved certain resources for future capital improvements, repairs and maintenance of the District's buildings. These resources are to be utilized only after unrestricted resources are depleted.

	<u>9-30-12</u>
Future capital improvements and	
future repairs and maintenance	<u>\$ 246,290</u>
Total reserved	<u>\$ 246,290</u>

NOTE 8 - CLOSURE OF HOSPITAL

On January 31, 1988, the Board decided to cease operations as an acute care facility. The District's current function is to maintain the physical hospital facility. In an effort to maintain the building without taxing the property owners of the District, the buildings are currently being rented.

NOTE 9 - ECONOMIC DEPENDENCE

Currently three entities account for 100% of the District's rental income, Fairview Treatment Center, the Drug Court and the Claire House. Fairview Treatment Center accounts for 51%, the Drug Court 26% and the Claire House for Women and Children 23% of the total rental income.

NOTE 10 - RELATED-PARTIES

Hospital Service District No. 3 currently leases to Recreation District No. 3, also a component unit of the St. Mary Parish Council, 4.98 acres of land, which is adjacent to the hospital. The Recreation District No. 3 utilizes this land for a ball park. This lease is cancelable by agreement between the participants or until such time that it is determined that this property is needed by Hospital Service District No. 3 for a good and valid purpose, at which time Hospital Service District No. 3 shall give written notice to Recreation District No. 3 to vacate the property within six months and remove its facilities.

Hospital Service District No. 3 also currently leases space to Fairview Treatment Center, the Drug Court and the Claire House. These three entities are component units of the St. Mary Parish Council. These leases are on a year-to-year basis.

The Hospital Service District No. 3 also currently leases a small section of land adjacent to the hospital. The St. Mary Parish Library System utilizes this land for a library. The St. Mary Parish Library System is also a component unit of the St. Mary Parish Council.

SUPPLEMENTAL INFORMATION

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA
SCHEDULE OF INSURANCE IN FORCE
For the Year Ended September 30, 2012

<u>Insurer</u>	<u>Type of Coverage</u>	<u>Coverage</u>	<u>Exp. Date</u>
Penn-America Group Inc.	General Liability		11/01/12
	Bodily Injury:		
	Each Occurrence	\$ 1,000,000	
	Aggregate	\$ 1,000,000	
Mt. Hawley Ins.	Property		11/01/12
	Building	\$ 6,195,800	
	Contents	\$ 35,500	
	Building (Claire House)	\$ 445,800	
LA Citizens Ins.	Wind & Hail		11/01/12
	Building	\$ 4,515,000	
	Contents	\$ 35,500	
	Building (Claire House)	\$ 445,800	
Old Republic Ins. Co.	Directors & Officers		
	Aggregate	\$ 1,000,000	03/19/13
LWCC	Workmen's Compensation		
	By Accident	\$ 1,000,000	Monthly
	Aggregate	\$ 1,000,000	
	Each Employee	\$ 1,000,000	

HOSPITAL SERVICE DISTRICT NO. 3
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS
September 30, 2012

	<u>Per Diem</u>	<u>Number of Meetings Attended</u>
Ovay Rogers	\$ 440	11
Cabrini Angeron	440	11
Glenn Elliot	480	12
Brian Head	480	12
Susan Legendre	400	10
	<u>\$ 2,240</u>	

REQUIREMENTS OF THE LOUISIANA GOVERNMENTAL AUDIT GUIDE

ADAMS & JOHNSON

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P. O. BOX 729 • 517 WISE STREET

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MEMBERS:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountants' Report on Applying Agreed-Upon Procedures

The Board of Commissioners
Hospital Service District No. 3
1101 Southeast Blvd
Morgan City, LA 70380

We have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below, which were agreed to by the management of Hospital Service District No. 3, of the Parish of St. Mary, State of Louisiana, and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating the management's assertions about Hospital Service District No. 3's, compliance with certain laws and regulations during the year ended September 30, 2012 included in the accompanying *Louisiana Attestation Questionnaire*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Public Bid Law

1. Select all expenditures made during the year for material and supplies exceeding \$30,000, or public works exceeding \$150,000, and determine whether such purchases were made in accordance with LSA-RS 38:2211-2251 (the public bid law).

Scanned disbursements made during the year for materials and supplies exceeding \$30,000 and for public works exceeding \$150,000. There were no expenditures during the year that exceeded the public bid law threshold.

Code of Ethics for Public Officials and Public Employees

2. Obtain from management a list of the immediate family members of each board member as defined by LSA-RS 42:1101-1124 (the code of ethics), and a list of outside business interests of all board members and employees, as well as their immediate families.

Management provided us with the required list including the noted information.

3. Obtain from management a listing of all employees paid during the period under examination.

Management provided us with the required list.

4. Determine whether any of those employees included in the listing obtained from management in agreed-upon procedure (3) were also included on the listing obtained from management in agreed-upon procedure (2) as immediate family members.

None of the employees included on the list of employees provided by management [agreed-upon procedure (3)] appeared on the list provided by management in agreed-upon procedure (2).

Budgeting

5. Obtain a copy of the legally adopted budget and all amendments.

Not applicable since the District only has a proprietary fund.

6. Trace the budget adoption and amendments to the minute book.

Not applicable since the District is not required to have a budget as mentioned in procedure 5.

7. Compare the revenues and expenditures of the final budget to actual revenues and expenditures to determine if actual revenues failed to meet budgeted revenues by 5% or more or if actual expenditures exceed budgeted amounts by 5% or more.

Not applicable since the District is not required to have a budget as mentioned in procedure 5.

Accounting and Reporting

8. Randomly select 6 disbursements made during the period under examination and:

- (a) Trace payments to supporting documentation as to proper amount and payee.

We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

- (b) Determine if payments were properly coded to the correct fund and general ledger account.

All six of the payments were properly coded to the correct fund and general ledger account.

- (c) Determine whether payments received approval from proper authorities.

Inspection of documentation supporting each of the six selected disbursements indicated approvals from the accountant and the chairman of the Board of Commissioners. In addition, each of the disbursements were traced to the District's minute book where they were approved by the full commission.

Meetings

9. Examine evidence indicating that agendas for meetings recorded in the minute book were posted or advertised as required by LSA-RS 42:1 through 42:12 (the open meetings law).

The District complied with LSA-RS 42:1 through 42:12 (the open meeting law)

Debt

10. Examine bank deposits for the period under examination and determine whether any such deposits appear to be proceeds of bank loans, bonds, or like indebtedness.

We inspected copies of all bank deposits for the period under examination and none of the deposits appeared to be proceeds of bank loans, bonds, or like indebtedness.

Advances and Bonuses

11. Examine payroll records and minutes for the year to determine whether any payments have been made to employees which may constitute bonuses, advances, or gifts.

A reading of the minutes of the District for the year indicated no approval for the payments for bonuses, advances, or gifts. We also inspected payroll records for the year and noted no instances which would indicate payments to employees which would constitute bonuses, advances, or gifts.

Our prior year report, dated December 19, 2011 included a schedule of findings and questioned costs. See the current year summary schedule of current and prior year findings.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of Hospital Service District No. 3 and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Adams & Johnson
Certified Public Accountants

Patterson, Louisiana
February 25, 2013

Hospital Service District No. 3 of the Parish of St. Mary

State of Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan
Year ended September 30, 2012

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
CURRENT YEAR (09/30/12)						
<u>Internal Control:</u>						
12-1(1C)	1988	Inadequate segregation of functions exists within the accounting system.	N/A	No corrective action is planned. Based on the size of the operation and the cost-benefit of additional accounting personnel, it is not feasible to achieve complete segregation of duties.	N/A	N/A

Compliance:

No items are reported in this section

PRIOR YEAR (09/30/11)

Internal Control:

11-1(1C) 1988 See item 12-1(1C) above.

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)

September 30, 2012

Adams and Johnson, CPAs
P.O. Box 729
Patterson, LA 70392

In connection with your review of our financial statements as of September 30, 2012 and for the year then ended, and as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of September 30, 2012.

Public Bid Law

It is true that we have complied with the public bid law, LSA-RS Title 38:2212, and, where applicable, the regulations of the Division of Administration, State Purchasing Office..

Yes ☒ No ☐

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of LSA-RS 42:1101-1124.

Yes ☒ No ☐

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of LSA-RS 42:1119.

Yes ☒ No ☐

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (LSA-RS 39:1301-14) or the budget requirements of LSA-RS 39:34.

Yes ☒ No ☐

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by LSA-RS 44:1, 44:7, 44:31, and 44:36.

Yes ☒ No ☐

We have filed our annual financial statements in accordance with LSA-RS 24:514, 33:463, and/or 39:92, as applicable.

Yes ☒ No ☐

We have had our financial statements audited or compiled in accordance with LSA-RS 24:513.

Yes ☒ No ☐

Meetings

We have complied with the provisions of the Open Meetings Law, provided in RS 42:1 through 42:12.

Yes ☒ No ☐

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and LSA-RS 39:1410.60-1410.65.

Yes ☒ No ☐

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, LSA-RS 14:138, and AG opinion 79-729.

Yes ☒ No ☐

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance which may occur subsequent to the issuance of your report.

Date	<u>Billy G. May</u>	Secretary	09/30/12
Date	<u>[Signature]</u>	Treasurer	09/30/12
Date	<u>[Signature]</u>	President	09/30/12